# Under what conditions?
## Social Security for children in South Africa

By

Annie Leatt & Debbie Budlender

**Annie Leatt:**
Child Poverty Programme
Children's Institute
University of Cape Town
annie.leatt@gmail.com,

**Debbie Budlender:**
Centre for Actuarial Research (CARe)
University of Cape Town
debbieb@mail.ngo.za

October 2006

## Introduction

This paper will present a case study of an unconditional cash transfer programme – the Child Support Grant in South Africa – and current attempts to introduce conditions. Issues raised by this case study will be used to shed light on debates about the applicability of conditionality in cash transfers for children and families.

South Africa is something of an exceptional case in some respects for a developing country, but not in all. One notable feature is the extent of its social security provision, with non-contributory social assistance going to almost a quarter of the population. The second is that it is a middle-income country with almost no debt to international finance organisations – the IMF or World Bank. The entire non-contributory cash grant system is funded from tax revenue. The third is the extreme inequality in the country, and the very high rates of unemployment and consequent levels of absolute poverty. This provides the political and economic logic for social security spending. In common with its neighbouring countries, South Africa has amongst the world's highest HIV prevalence rates, and two decades into the epidemic, has a drastically reduced life expectancy and rapidly rising burdens of care.

In terms of GDP[1] per capita South Africa is amongst the 50 wealthiest nations in the world (Agüera, Carter and May, 2006). Despite this, the UNDP ranks South Africa 17th out of 70 countries for the number of people living on less than PPP $2 per day. It also stands at 115th out of 175 countries in terms of the Human Development Index, down from 93rd in 1992. In other words, South Africa is performing better in terms of its economy than in terms of its human and population outcomes.

The majority of children in the country are poor. Some 66% of children live in households that have reported incomes of R1,200 (US[2] $160) per month or less according to 2005 general household survey data. At that date, just over 10 million of the 18 million children in South Africa lived in households with less than R800 ($107) in reported earned income per month.

In September 2004, 26.2% of South Africa's economically active population was unemployed. Official unemployment definitions only partially reflect the situation. An expanded definition includes those who would like to find employment but are discouraged, and have not actively sought work in the previous month. By this expanded definition, unemployment levels were at a staggering 41% at the end of 2004. The unemployment rate has remained very high since then, and Statistics South Africa reported official unemployment at 26.7% in September 2005, and 25.6% in March 2006.

This high level of unemployment is reflected in the number of children who are living in families or households without access to wages. Across South Africa, in 2004 some 59% of children lived in a household with at least one adult who was employed. The other 41%, (7.3 million) from birth to 18, lived in households in which there were no employed people. (Budlender, 2005)

[1] Corrected for purchasing power parity (PPP).
[2] All dollar amounts were calculated at an exchange rate of R7.50 to $1.

## The Child Support Grant and other cash transfers

Seven non-contributory and non-conditional cash grants constitute social assistance in South Africa, which goes directly to almost 25% of the population each month and indirectly assists many more. These grants are currently targeted at those who are too old (Old Age Pension and War Veterans Grant), too young (Child Support Grant and Foster Child Grant), or too disabled (Disability Grant for adults, and Care Dependency Grant for children) to work for income. There are no grants available to able bodied adults who are unemployed, despite lack of employment opportunities.

**Table 1 Number of adult and child beneficiaries of social assistance grants**

| **Grant type** | **Number of Adults** | **Number of Children** | **Monthly grant amount (R)** | **Monthly grant amount (USD)** |
|---|---:|---:|---:|---:|
| Old Age Pension | 2 162 990 | | 800 | 107 |
| War Veterans Grant | 2 624 | | 838 | 112 |
| Disability Grant | 1 356 937 | | 800 | 107 |
| Grant in Aid | 28 441 | | 180 | 24 |
| Child Support Grant | | 7 410 760 | 190 | 25 |
| Foster Child Grant | | 351 702 | 560 | 75 |
| Care Dependency Grant | | 92 853 | 800 | 107 |
| **Total** | **3 550 992** | **7 855 315** | | |

Source: Socpen daily report end July 2006, and South African Social Security Agency.

Spending by government on social assistance is substantial. The Intergovernmental Fiscal Review (National Treasury, 2005: 50) reports that 88,5% of social development spending went to social assistance grants in 2004/05. The most recent budget provides R57,7 billion ($7.7 billion) in 2006/07, R62,6 billion in 2007/08 ($8.4 billion) and R68,3 billion ($9.1 billion) in 2008/09 for social security (National Treasury, 2006: 398).

The Child Support Grant was introduced in 1998 to replace an earlier State Maintenance Grant. This predecessor reached very few black African children and their caregivers, and had a much higher monetary value. The CSG is a small flat-rate child support benefit paid, via the 'primary care-giver', to all children who qualify in terms of age and a test of the care-giver's means.

The grant was intended to protect the poorest children in their most vulnerable younger years. However this has since been broadened somewhat with the extension of the grant to all children under the age of 14 years. The extension was progressively implemented over the period 2003-2005.

At the time of writing, the CSG (R190 or $25 per month from 1 April 2006) is available for children under the age of 14 years who live in households with an income below R800 ($107) per month if the child and his or her 'primary caregiver' live in a formal dwelling in an urban area or R1,100 ($147) per month if the child and his or her 'primary caregiver' live in a rural area or an informal dwelling in an urban area. In July this year, 7.5 million Child Support Grants were disbursed.

## Conditionalities and the Child Support Grant

When the CSG was introduced, it included several conditions. Applicants needed to provide proof that the child had been immunized, that they were participating in development programmes, that they had not refused employment without good reason, and that they had attempted to secure private maintenance for the child from the other parent if they were separated or divorced.

The requirement in respect of development programmes was dropped after it became obvious that such programmes simply did not exist in many areas. The requirement in respect of immunisation was dropped out of recognition that it often discriminated against children who were already disadvantaged in terms of access to health services.

Initial take-up of the grant was slow, in part as a result of the conditions. Once the regulations were changed and increased effort put into rolling out the grant, take-up increased rapidly.

Despite this early experience of its implementation, there are currently attempts to reintroduce conditions to the access of the Child Support Grant. Chapter six of the new regulations to the Social Assistance Act, gazetted in 2006, include the following conditions of receipt of a Child Support Grant:

*33. A primary care-giver who is in receipt of a child support grant must comply with the following conditions -*

*(2) the child must have accommodation, be fed and clothed;*
*(4) he or she must ensure that the child receives immunisation and other health services;*
*(5) the child, if of school-going age, must attend school regularly;*
*(6) he or she must use the grant for the benefit of the child.*

While the earlier conditions were requirements for receiving the grant, these new conditions apply to beneficiaries once they are in receipt of the CSG. These regulations have yet to come into effect, but it is anticipated that they will govern the CSG administration from early next year. Despite the list of conditions in the regulations, no punitive measures are mentioned, and it is not clear how they would be monitored or implemented.

In the Child Support Grant we have the case of a currently operating large-scale unconditional cash transfer programme for which there are substantial data on impact with respect to income poverty, attendance at school, nutrition and household spending. We will explore some of this evidence below and compare it to the purported outcomes sought by the introduction of conditionalities.

## The Impact of Social Assistance and the Child Support Grant

Table 2 shows the mean income from all social grants per household for those households which include at least one child. The table shows that grant income tends to decrease as earnings increase, illustrating the general effectiveness of the targeting.

**Table 2 Mean monthly income from grants in households with children by earnings**

| Earnings | Mean grant income |
|---|---|
| 0-800 | 119 |
| 801-1200 | 63 |
| 1201-2500 | 53 |
| 2501-6000 | 39 |
| 6001-16000 | 21 |
| 16000 plus | 8 |

Source: General Household Survey 2005, Budlender analysis.

The poorest households with children therefore receive a fairly substantial proportion of their total income from social assistance grants. This goes some way towards alleviating the income poverty of those with little or no access to income from wages.

In 2003 the Economic Policy Research Institute (EPRI) was commissioned to study the impact of South Africa's social security system. To do so they used a micro-simulation model. Their report (Samson et al, 2004) covers the effect of receiving grants on household access to health care, schooling, housing, electricity, water and social infrastructure. It also examines the effects on the labour market – on employment and productivity, and the macro-economic impact – on savings and consumption.

## Education

The EPRI report outlines three mechanisms which link social grants and education. First, grants assist in overcoming financial barriers to school attendance, in terms of fees and other costs – school supplies, uniforms, and transport etc. Secondly, grants can relieve the opportunity costs of school attendance. A third indirect mechanism is by increasing the resources available to schools which might assist in improving the quality of education, which in turn makes education more attractive to households. This last relates to the capacity of parents to pay school fees, and the under-funding of public education. The argument is problematic in that children eligible for the Child Support Grant because of poverty are also eligible for a school fee waiver.

EPRI's modelling of the impact of grants on education is done in several ways. It is based on impact on what Samson et al term the "non-attendance gap". This is the difference between 100% and actual enrolment – which is generally small because of high levels of school enrolment. One model suggests that an increase of R100 per month in the amount of grant received results in a 3,8% increase in full-time school attendance. The second suggests that children living in three-generational African households with pension-aged people are 3,1% more likely to attend school than those in non-pension-recipient three-generational households. The third model finds that the presence of a person who is age-eligible for the pension results in greater school attendance.

They therefore argue that "A household's receipt of a Child Support Grant is associated with a reduction of approximately twenty to twenty-five percent in the school non-attendance gap.… Likewise, household income is significantly correlated with school attendance – the more income available to the household, the greater the likelihood children attend school.” (Samson et al 2004: 63) Interestingly, non-grant income was shown to have less of an effect on school attendance than income from other sources.

One of the hypotheses of the EPRI study is that poor households do not behave in the same way as households with higher income. Households in the lowest income brackets, those most likely to be eligible for social grants, are more likely to spend on education and basic foodstuffs. This increases the impact of grants on school enrolment.

Another study corroborates the relationship between CSG receipt and increased school enrolment, at least amongst younger children. Case et al (2005) use data collected through the longitudinal demographic surveillance system (DSS) of the Africa Centre for Health and Population Studies in KwaZulu-Natal. In 2002, a module on child grants formed part of the instrument administered to the 11 000 African households in the area. At that point approximately a third of all age-eligible resident children were benefiting from the CSG. The longitudinal nature of the DSS allowed the authors to examine the impact on children’s enrolment one year later.

The authors measured the association between CSG receipt in 2002 and school enrolment in 2003 and 2004 for children who were age-eligible for the CSG in 2002 and old enough to be enrolled in 2003 and 2004. Receipt of the CSG results an 8.1 percentage point increase in school enrolment among 6-year olds, and 1,8 percentage points among 7 year olds when compared with non-recipient households. This result occurs despite the fact that recipient households tend to be poorer than other households.

The authors suggest several possible reasons for this pattern. The CSG may improve children’s health and nutrition, and thus school-readiness. The CSG, by increasing income, might also allow the household to afford fees, uniform and other school-related expenses.

A recent study by Budlender and Woolard (2006: viii) confirms that “enrolment of children who are not direct CSG beneficiaries is more likely when another child in the household is a direct CSG recipient.”

## Grant expenditure and household outcomes

Throughout the EPRI study (Samson et al, 2004), the social impact of income from grants is shown to be more positive than through other income streams. School attendance rates are higher, hunger is less prevalent, spending on food and basic household services increases, and spending on alcohol, tobacco and gambling are less than in households with comparable income from other sources. The main reason postulated for this is that income going to female pensioners (and women predominate among Old Age Pensioner recipients) is disproportionately used for positive social and human development.

One of the motivations for the Child Support Grant being given to the primary caregiver is the finding that money under the control of a woman is more likely to be spent on goods and services which benefit children. The EPRI report finds, for example, that children in households headed by women are significantly more likely to attend school than those in male-headed households. This is important because less than 1.5% of recipients who are registered for a Child Support Grant as primary care givers are men.

These findings have been corroborated by studies using the KwaZulu-Natal Income Dynamics Survey (KIDS) by Woolard, Carter and Agüero (2005). They found that receipt of the CSG for two thirds of the period of a child's life before the age of 26 months resulted in a significant gain in height, an important indicator of nutritional status. Children in this study gained 40% of a standard deviation in their standardised height for age scores. (Woolard et al 2005:1) The research demonstrates that the CSG results in health benefits even without any health conditionalities, thus achieving a benefit without the added administrative cost implied by conditionalities.

The EPRI study also found that, with receipt of a grant, increased spending on food is associated with better nutritional outcomes. (Samson et al 2004:3) The report finds that households that receive social grants have lower prevalence rates of hunger for young children as well as older children and adults, even compared to those households with comparable income levels.

## Illegal Conditionalities

As mentioned at the beginning of this paper, the CSG included several conditions for access when it was introduced. Despite the fact that these conditions were dropped in 1998, they, and others, continue to be required illegally by some Social Development offices.

Goldblatt and Rosa (2006) summarise the findings from fieldwork conducted by the Gender Research Programme of the University of Witwatersrand and the Children's Institute of the University of Cape Town. Both studies focused on the implementation of CSG. The report provides evidence of explicit and implicit conditionalities, which are unlawful. Officials required clinic cards (in North West) or proof that the applicant is pursuing a maintenance claim against the father of the child (in Gauteng).

Some offices also require that the child be brought along when application is made, so that the child can be photographed. This is allegedly to prevent fraud. Other unlawful requirements include 'brown cards' from Department of Labour proving that the applicant has registered as a work seeker, or proof of the child's school attendance. In North West and Eastern Cape applicants sometimes had to obtain proof from the traditional authorities, for example in respect of their (customary) marriage or residence. Obtaining this proof often required payments that applicants could ill afford.

Some government and international commentators, most notably the World Bank, have highlighted the potential value of introducing conditionalities in the South African context. These include improved enrolment and access to health care in conjunction with poverty alleviation. It seems that these influences might have resulted in the inclusion of conditionalities into the new regulations.

## Arguments against conditionals in the CSG programme

A wide range of researchers in South Africa have argued that the CSG has a positive effect on nutrition, socially and economically beneficial spending and educational enrolment already, without the need for conditionalities.

There is also a concern that South Africa is in a very different (and much better) position with respect to school enrolment, immunisation levels and child labour than the countries in which such programmes have emerged and proved to be effective.

Also, school-based conditionality could lead to discrimination against those children who are most disadvantaged. Amongst children not at school in the 14 to 17 year age group, 16% left school on the grounds that "school is useless". The enrolment rates in South African schools are very high, even despite the fall off in attendance in the last few years of schooling. It would be difficult to address the problems of children not enrolling in or attending school by implementing conditionalities.

As we have seen, the collected evidence points to highly effective impacts of current non-conditional cash grants on exactly those domains which Conditional Cash Transfers seek to improve. It also points to concerns about conditionalities adding to the exclusion of those most marginalised, least able to access public services and with already poor outcomes.

Senior members of the national department of social development (Jehoma, pers. Com.) have identified a range of problems in the introduction of conditionalities, which include the following:

- Difficulties in ensuring compliance – especially in the context of poor monitoring of schools, too few school inspectors, and no data base on which it would be possible to verify school attendance or reconcile information on grant and schools access.
- The lack of health facilities, and data which shows that many children currently receiving the CSG that have to travel more than 10km to the nearest primary health care facility. Similar problems exist in accessing schools, with many children having to travel for more than half an hour to get to school, as well as problems in affording school fees, transport to schools and uniforms.
- If there are problems in accessing health and educational services, there is the risk of introducing multiple exclusions, thereby further reducing access.
- Grants are currently being used to pay for school and health costs, and so making grant access dependent on these could again introduce multiple exclusions.

## Dependency, Responsibility and Perverse Incentives

Despite this perspective, the government department responsible for policy development and administration of the social security system as well as the national treasury regularly makes statements about ending the *dependency* of grant recipients on the state.

What can we say empirically about the issues of dependency on the state and about perverse incentives? How do these arguments function politically? And what role is the idea of conditionality playing in these debates?

In the case of South Africa, there are many arguments against the existence of dependency, and many reasons for questioning the term in the first place.

For one, the cash transfers are explicitly targeted at people who “should not” work; children, the severely disabled, and people in their old age. In other words, they are a response to existing dependency in chronically poor communities, especially where the HIV/AIDS pandemic has increased mortality and morbidity and deepened poverty.

The existence of some resources in a household also has the effect of counteracting dependence on state facilities by improving nutrition and therefore health status, and providing resources to seek work. (Samson et al. 2004) In other words, rather than positing grants as opposed to labour, grants can and do support entry into the labour market and other forms of income generation.

Also, it can be argued that grants function as some compensation for the unremunerated work of care performed almost universally by women. Discussions about employment are all too often insensitive to gender, and do not take into consideration the need for women (whether they be mothers, grandmothers, older siblings and aunts) to be available to children, especially when they are very young. If women are able to find work, then the existence of a grant could allow them to compensate other women or Early Childhood facilities and after school programmes for their care and educational roles.

So why have conditionalities appeared in the new regulations?

The South African government is caught between two imperatives from both within the country and in the context of global finance. The first is to stabilise South African society, and move towards reconciliation, reconstruction, and political stability. This can only be ensured by improved equity and a significant redistribution of resources – through investment in primary education, health services, basic municipal services or social grants.

The second imperative is seen as being towards a competitive location for investment in the model of a shrinking and non-interventionist state, with tightly targeted poverty alleviation measures which prioritise local economic development over social policy.

This has resulted in quite uneven policy interventions, with a substantial (but potentially threatened) social assistance intervention, but clear failures in the areas of social services and HIV/AIDS response.

Discussions about conditionality as well as perverse incentives[3] need to be read in terms of these pressures towards efficiency in social policy, read in quite narrow terms.

## Conclusion

The situation in South Africa is clearly different from that in Mexico or Brazil in which Conditional Cash Transfer Programmes were introduced – in which there were high rates of child labour, low educational enrolment, and low levels of immunisation and health care. In addition, the non-conditional cash transfer programme has proven effective in meeting the very goals for which conditionalities were introduced.

There can be no doubt that introducing conditionalities without also investing hugely in good quality public education and the density and quality of primary health care facilities would penalise children whose access to these services is already tenuous.

At the same time, the introduction of conditions has the potential to substantially increase the administrative costs of these grants as well as introduce many new sites of unlawful and inequitable administrative action.

The debates around dependency and teenage pregnancy are elements in the political economy. Despite clear and overwhelming empirical evidence to the contrary, it might be more politically acceptable to elites, if conditions were to be imposed. Lesotho introduced an old age pension against the IMF's advice, highlighting that programme feasibility is a political choice rather than a simple result of financial calculations. South Africa should take a lesson from its neighbor and resist the pressure of the World Bank and local elites to restrict access to social assistance and impose conditions on accessing a Constitutional right.

[3] The oft repeated threat of teenage girls getting pregnant to access grants is important here. Again the empirical evidence contradicts public perception. Research has shown that teenage mothers are under-represented amongst CSG beneficiaries (Case, Hosegood and Lund 2005), and that teenage mothers tend to take up CSG's for which they are eligible only a few years after a birth.

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